

DOCKET SECTION

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

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POSTAL RATE AND FEE CHANGES, 1997 : Docket No. R97-1

TRIAL BRIEF OF PARCEL SHIPPERS ASSOCIATION

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Dated: February 10, 1998

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The Parcel Shippers Association is presenting the testimony of three witnesses. Their testimony relates to proposed parcel post rates and the proposed 10 cents surcharge on Standard (A) parcels. The testimony of the three witnesses makes the following points:

I. TESTIMONY OF JAMES V. JELLISON (PSA-T-1)

Mr. Jellison presents the results of a survey he caused to be undertaken among PSA members. The parcel volume shipped by those respondents constitute a large percentage of all parcel post volume. Among other things, the survey demonstrated a very distinct interest in the new discounts proposed by the Postal Service. Mr. Jellison makes the point that, in his opinion, the full discounts offered will have to be those recommended by the Commission if there is to be utilization of these new discounts by the market. Mr. Jellison also criticizes the fact that the Postal Service does not offer the barcode discount to Standard (A) parcels, pointing out that this may miss an opportunity

to encourage mailers to habitually barcode all their mail, thus indirectly frustrating one of the Postal Service's own principal objectives.

Mr. Jellison testifies as to the state of competition in the small parcel shipment market, particularly for residential delivery. He points out that there is no competition to United Parcel Service in that market except for the Postal Service; and points out that the services are not directly comparable, and that the published UPS rates are not those which are in fact the operative rates that need to be compared.

Mr. Jellison testifies that the overall 10.2 percent parcel post increase is excessive, and way out of line with the average 4 percent increases proposed in this proceeding. USPS witness O'Hara stated that the Postal Service believed that coverage of 104% was appropriate for Standard (B) parcel post. Mr. Jellison points out that, if the Alaskan air transportation costs which the Commission has previously ruled should not be attributed to Standard (B) parcel post, are deduced, then parcel post would meet the 104% cost coverage goal advocated by the Postal Service with zero increases for parcel post. Finally, Mr. Jellison points out that an overall 4% increase for Standard (B) parcels, the average increase for all other postal products, would produce a cost coverage for parcel post of 109%, 5% more than USPS witness O'Hara said would be the ideal for this subclass of mail.

Mr. Jellison also addresses the comparative cost/revenue relationships of Standard (A) flats and Standard (A) parcels, and finds that the substantial difference claimed by the Postal Service simply does not in fact exist. Addressing the separate subclass of Regular, Commercial Standard (A) flats and parcels, Mr. Jellison points out

that the Postal Service's own cost numbers, given full credit, still only suggest that Standard (A) parcels are failing to cover their attributable costs by an amount less than 4 cents per piece.

PSA also relies on the testimony of RIAA witness Stanley's criticisms of the USPS cost variability analysis and transportation cost attributions for Standard (A) parcels. Accepting witness Stanley's computations, it appears that Standard (A) parcels are more than covering their attributable costs.

It is finally witness Jellison's testimony that, given the fact that the proposed 10 cents surcharge could mean 40% to 50% increases for some mailers, there is simply no justification for imposing such a surcharge on a type of mail which is not even recognized as a rate category when it is in fact close to covering its attributable costs.

II. TESTIMONY OF PSA WITNESS MULLIN (PSA-T-2)

PSA witness Mullin, an employee of a major shipper of parcels, Avon Products, Inc., presents testimony about the state of competition in the parcel delivery market. He points out that in the home delivery market there are only two choices: United Parcel Service and USPS parcel post service. Mr. Mullin presents testimony as to how customers are able to deal with United Parcel Service, on the premise that, since it is the only other competitor to USPS in the parcel delivery market, the Commission must understand something about that competitor in order to have a perspective about the market. Basically, it is Mr. Mullin's testimony that dealing with UPS is on a "take it or leave it basis"; that UPS dictates its service conditions and its prices without regard to

competition, behaving as though there were none. It is Mr. Mullin's conclusion that only USPS offers the market any chance at all of affording meaningful competition to UPS, and that can occur only if the Postal Rate Commission recommends appropriate rates and discounts for Standard (B) parcels.

III. TESTIMONY OF PSA WITNESS ZWIEG (PSA-T-3)

PSA witness Zwieg is an employee of Parcel/Direct, a subdivision of Quad Graphics, which is in the business of consolidating mail from numerous customers and arranging for the drop shipment of that mail into the United States Postal Service system. Mr. Zwieg strongly supports the proposed discounts for Standard (B) parcels, stating that they will make it possible to increase competition in the market, improve efficiency in delivery times, and save money for both the Postal Service and for mailers. He points out that his company is making major investments on the beliefs that, if the appropriate discounts are offered, mailers will conform their behavior to utilize those discounts through the services of consolidators and drop shippers such as his company. He forcefully argues against any watering down of the proposed discounts, concluding that would defeat the whole purpose of the discounts because the costs of utilizing that system, through preparation and use of consolidators, would

outweigh the watered-down discounts. Mr. Zwieg concludes by strongly urging the Commission to make this form of privatization of Postal Service functions a possibility.

Respectfully submitted,



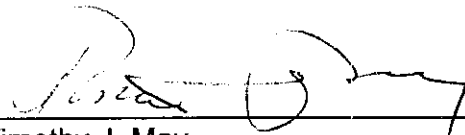
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Counsel for Parcel Shippers Association

Dated: February 10, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



Timothy J. May

Dated: February 10, 1998